

AR72



2003 ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

The Annual General meeting of the Shareholders of PsiNaptic Inc. will be held on:

Tuesday, March 16 at 2:00 pm
at the offices of Gowling Lafleur Henderson,
1400 Scotia Centre, 700 - 2nd Street S.W., Calgary, Alberta

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PsiNaptic Inc. is in the business of developing and marketing proprietary technology, including software and wireless communication technologies, allowing user-transparent transfer of information and services between computing objects, devices and processors in a communications rich, network environment. Management's vision is a world with pervasive unlimited networks of intelligent objects interacting dynamically and seamlessly, on behalf of people, to improve the delivery of existing services and enable new innovative applications.

PsiNaptic is headquartered in Calgary, Alberta. Shares of the Company trade on the TSX Venture Exchange under the symbol PST.

Letter to the Shareholders

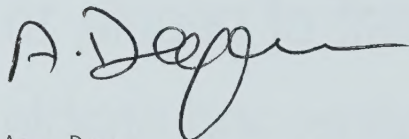
For the Year Ended September 30, 2003

Let me begin by thanking you for your expression of confidence in our technology, business plan, and in our management team. On behalf of the Company and its Board of Directors, I would like to assure you that we will do our utmost to be deserving of the trust you have placed in us.

Our Company is driven by the need to reduce complexity in computing networking, and to improve the human experience regarding data consumption in a mobile world. Our vision of tomorrow's world is a world in which billions of small embedded devices all offering services and information will be connected to a network – a world where mobile devices such as cell phones and PDAs communicate with these devices, and with other mobile devices to consume services and information with minimum human intervention. Management believes that PsiNaptic's technology and products play an important role in enabling this seamless communication between mobile and embedded devices.

Sluggish economic activity within the technology and telecommunication industries presented a real challenge for our Company in 2003. Like the rest of the industry, we too needed to sharply reduce our staff levels to ensure that we had sufficient working capital to continue operations. However, we furthered our product development and marketing efforts and at present, are well positioned for growth.

With the renewed capitalization of our Company, we look forward to a brighter future. Our focus in 2004 is on achieving the milestones outlined in our final prospectus. Success will lead to the commercialization of our products and an increased revenue stream. We intend to maintain the relationships we have built with our business partners and investors, and will seek to strengthen them further as we pursue new opportunities.



Aaron Dagan
President and Chief Executive Officer
February 2004

Management's Discussion and Analysis

This discussion and analyses should be read in conjunction with the enclosed audited financial statements of PsiNaptic Inc. ("PsiNaptic" or "the Company") as of September 30, 2003. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Comparison of the years ended September 30, 2003 and 2002

HIGHLIGHTS

Fiscal 2003 was a year of cost containment and cash flow management. Fiscal 2002 saw the completion and marketing introduction of the first Company product JMatos®.

RESULTS OF OPERATIONS

An operating loss of \$373,174 was incurred in the year ended September 30, 2003, which compares to an operating loss of \$1,486,412 in the year ended September 30, 2002. The net loss, after expense recoveries, government assistance, investment tax credits and interest, decreased to \$55,359 in the year ended September 30, 2003 from a net loss of \$1,197,281 for the year ended September 30, 2002. The decreased expenses in 2003 reflect the significant reduction of the Company's operations and expenditures incurred on the development and marketing of the Company's products. The introduction of JMatos® to the marketplace took place in November 2001.

OPERATING EXPENSES

Total operating expenses decreased to \$373,174 for the year ended September 30, 2003 from \$1,504,816 in the year ended September 30, 2002. This is due to the reduced activity of the Company subsequent to developing its technology platform JMatos® and the following reduction of the Company's human resources and related expenses. Salaries, including consultants, and benefits were \$182,373 in the year ended September 30, 2003 compared to \$1,069,054 in the year ended September 30, 2002. This decrease reflects the combined effect of a significant reduction in the number of persons employed, as well as reduced salaries to those employees remaining in the 2003 period. Other general and administrative costs decreased to \$128,727 in the year ended September 30, 2003 from \$185,797 in the year ended September 30, 2002.

Other marketing expenses decreased to \$16,242 in the year ended September 30, 2003 from \$166,568 in the year ended September 30, 2002. Previous year expenses related principally to attendance at trade shows and the expenses related to the introduction on November 20, 2001 of JMatos®, a developers' software development kit, made available in downloadable format from the Company's website.

RECOVERIES AND OTHER INCOME

Net interest income of \$4,636 was earned in the year ended September 30, 2003 compared to \$12,454 in the year ended September 30, 2002. Interest was earned in fiscal 2003 on SR&ED monies in excess of current needs. In fiscal 2002, interest was earned on short-term deposits previously made with the balance of funds available from the private placement of the Series A Special Warrants and the Series B Special Warrants completed in December of 2000.

The Company recorded investment tax credits ("ITCs") of \$297,879 in the year ended September 30, 2003 compared to \$276,677 in the year ended September 30, 2002.

FINANCIAL CONDITION AND LIQUIDITY

Funds from operations amounted to \$54,631 in the year ended September 30, 2003 compared to funds used in operations of \$1,087,750 in the year ended September 30, 2002. Since its inception, PsiNaptic has financed its working capital requirements through proceeds received from equity financing. PsiNaptic has not utilized bank financing to fund its activities to date.

Financing activities during the year ended September 30, 2003 consisted of cash received from Shareholders as loans, which were repaid in May 2003 when the SR&ED grant monies were received. In September 2003, \$150,000 was received from a private placement of Class A Common Shares. In addition, \$60,000 was expended on account of Deferred Financing Costs related to an initial public offering. During the year ended September 30, 2002, the Company received \$258,937 on account of the issuance of Class C Warrants.

Investing activities during the year ended September 30, 2003 consisted of the redemption of \$10,072 of short-term investments. Investing activities during the year ended September 30, 2002, consisted of the redemption of \$908,397, representing the balance of GICs invested from the proceeds of the issuance of the Series A Special Warrants and the Series B Special Warrants in December of 2000. Also during the year ended September 30, 2002, the Company expended \$58,386 principally related to the acquisition of research development tools and hardware development equipment.

OUTLOOK

The Company continues to work diligently towards achieving the milestones set out in the final prospectus, in particular those marketing milestones anticipated in the second quarter of fiscal 2004.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements, including the Company's expectations as to the success of its research and development programs related to JMatos® and CMatos, which involve known and unknown risks and uncertainties, which could cause the Company's actual results to differ materially from those in the forward-looking statements. Such risks and uncertainties include, among others, the availability of funds and resources to successfully commercialize JMatos® and CMatos and general changes to the economic environment. Investors are cautioned against placing undue reliance on forward-looking statements. The Company does not undertake to update these forward-looking statements.

Management's Responsibility for the Financial Statements

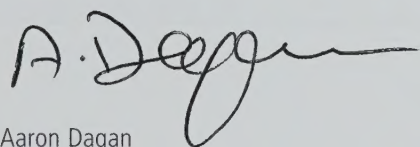
The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and in other sections of this Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies which management believes are appropriate for the Company are described in note 3 to the financial statements.

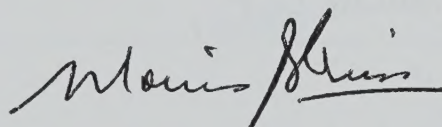
The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee of two non-management Directors and the President is appointed by the Board.

The Audit Committee reviews the financial statements, adequacy of internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Directors.

Deloitte & Touche LLP, the Company's external auditors, who are appointed by the Directors, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.



Aaron Dagan
President and Chief Executive Officer
February 2004



Morris Bleviss
Chief Financial Officer

Auditors' Report

To the Shareholders of

PsiNaptic Inc.:

We have audited the balance sheets of PsiNaptic Inc. as at September 30, 2003 and 2002 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte : Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants

Calgary, Alberta

January 22, 2004

Statements of Loss and Deficit

Years Ended September 30, 2003 and 2002

	2003	2002
REVENUE		
Consulting	\$ —	\$ 18,404
EXPENSES		
Depreciation and amortization	38,836	60,073
General and administrative	168,867	387,418
Marketing	110,664	369,347
Research and engineering	54,807	687,978
	373,174	1,504,816
LOSS BEFORE OTHER INCOME	(373,174)	(1,486,412)
OTHER INCOME		
SR&ED tax credits	297,879	276,677
IRAP expense recovery (Note 7)	15,300	—
Interest income	4,636	12,454
	317,815	289,131
NET LOSS	(55,359)	(1,197,281)
DEFICIT, BEGINNING OF YEAR	(2,762,859)	(1,565,578)
DEFICIT, END OF YEAR	(2,818,218)	(2,762,859)
Loss per share (Note 10)	(0.0046)	(0.0994)

Balance Sheets

As at September 30, 2003 and 2002

	2003	2002
ASSETS		
CURRENT		
Cash	\$ 161,310	\$ 11,299
Short-term investments	—	10,072
Accounts receivable	20,215	4,870
Prepaid expenses	9,100	17,208
	190,625	43,449
Deferred financing costs	60,000	—
Capital assets (Note 4)	47,455	70,753
Intellectual property (Note 5)	35,545	46,391
	333,625	160,593
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	42,992	64,601
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	3,108,851	2,858,851
Deficit	(2,818,218)	(2,762,859)
	290,633	95,992
	333,625	160,593

APPROVED BY THE BOARD

'SIGNED'

Aaron Dagan
Director

'SIGNED'

Andrew Oppenheim
Director

Statements of Cash Flows

Years Ended September 30, 2003 and 2002

	2003	2002
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	\$ (55,359)	\$ (1,197,281)
Adjustments for:		
Depreciation and amortization	38,836	60,073
Non-cash marketing expense (Note 6)	100,000	—
	83,477	(1,137,208)
Changes in non-cash working capital		
Accounts receivable	(15,345)	62,529
Prepaid expenses	8,108	4,395
Accounts payable and accrued liabilities	(21,609)	(17,466)
	54,631	(1,087,750)
FINANCING		
Issuance of shares for cash	150,000	1
Issuance of warrants, net of expenses	—	258,937
Deferred financing costs	(60,000)	—
	90,000	258,938
INVESTING		
Redemption of short-term investments	10,072	908,397
Purchase of capital assets	(959)	(58,386)
SR&ED recovery on capital assets	2,756	—
Purchase of intellectual property	(6,489)	(27,137)
	5,380	822,874
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,011	(5,938)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,299	17,237
CASH AND CASH EQUIVALENTS, END OF YEAR	161,310	11,299

Notes to the Financial Statements

Years Ended September 30, 2003 and 2002

1. BASIS OF PRESENTATION

These financial statements have been prepared using the going concern assumption, which contemplates that PsiNaptic Inc. (the "Company") will be able to realize assets and discharge liabilities in the normal course of business. At September 30, 2003, there are certain aspects of the Company's financial position, which may cast doubt upon the ongoing use of the going concern assumption, including a deficit of \$2,818,218 and a net loss of \$55,359 for the year ended September 30, 2003.

The ability of the Company to continue as a going concern is dependant upon achieving profitable operations and/or obtaining additional financing to develop, market and manufacture its products and services. If the Company does not achieve profitable operations or obtain additional financing, the use of the going concern assumption for future years may not be valid.

Subsequent to year-end, the Company raised additional financing, see Note 11. Management of the Company is presently pursuing the execution of its business plan and endeavouring to achieve profitable operations.

If the going concern assumption was not used for these financial statements, then adjustments may be necessary in the carrying values of the assets and liabilities, the reported net loss and the balance sheet classifications used.

2. NATURE OF OPERATIONS

The Company was incorporated on December 16, 1999 under the Business Corporations Act (Alberta) as 858393 Alberta Inc. On January 6, 2000, the Company changed its name to PsiNaptic Communications Inc. On May 1, 2001, the Company changed its name to PsiNaptic Inc. To date, the Company has not earned significant revenues and is considered to be in the development stage. The Company's focus has been research and development of novel networking technology for deeply embedded devices.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, balances with banks and short-term deposits.

Short-term investments

Short-term investments are valued at the lower of cost and market value.

Deferred financing costs

Deferred financing costs represent costs related to the initial public offering (Note 11) and will be recorded as a reduction of the proceeds from the initial public offering once the transaction is completed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and are depreciated over their useful lives, from the month of acquisition, using the declining-balance method at the following annual rates:

Office furniture	20%
Tools and equipment	30%
Computer hardware	30%
Computer software	30% - 100%
Development tools	100%

Intellectual property

Intellectual property consists of patents and trademarks, which are recorded at cost and amortized on a straight-line basis over their useful lives, from the month of acquisition. The estimated useful life of the intellectual property is four years.

Research and development costs

Research costs are expensed as incurred. The costs of developing new products are capitalized as deferred development costs if they meet the Canadian Institute of Chartered Accountant's development capitalization criteria related to technical, financial and market feasibility. To date, all of the development costs have been expensed as all of the criteria for deferral has not yet been met.

Scientific research and experimental development investment tax credits (SR&ED)

Scientific research and experimental development investment tax credits are accounted for using the income approach and are recorded upon receipt of the credit. Credits are recorded as either a reduction of the cost of applicable assets or included in income depending on the nature of the expenditures, which gave rise to the credits. Once the Company completes its initial public offering (Note 11) they will continue to qualify for SR&ED credits to apply against future taxes payable, however, the credits will no longer be refundable.

Future income taxes

Income taxes are accounted for by the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Incentive stock option plan

The Company has an incentive stock option plan as described in Note 6, which is administered by the Board of Directors and accounted for using intrinsic values, as defined by the Canadian Institute of Chartered Accountants ("CICA"). Accordingly, compensation expense is not recognized in the financial statements for stock options granted to employees and directors when issued at market value. Any consideration paid on exercise of stock options or purchase of stock is credited to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. As at September 30, 2003, there are no material differences between the carrying values of these amounts and their fair market values due to the short-term nature of these financial instruments.

4. CAPITAL ASSETS

			2003	2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office furniture	\$ 17,953	\$ 7,206	\$ 10,747	\$ 13,434
Tools and equipment	52,021	30,162	21,859	31,227
Computer hardware	29,399	17,647	11,752	16,789
Computer software	11,017	8,640	2,377	3,397
Development tools	99,791	99,071	720	5,906
	210,181	162,726	47,455	70,753

5. INTELLECTUAL PROPERTY

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Patents and trademarks	\$ 69,813	\$ 34,268	\$ 35,545	\$ 46,391

Amortization of \$17,335 (2002 - \$11,238) on the patents and trademarks is included in depreciation and amortization expense.

6. SHARE CAPITAL

	Number of Shares	Amount
Authorized		
Unlimited number of Class A common voting shares		
Unlimited number of Class B common non-voting shares		
Unlimited number of Special Warrants, issuable in series		
Issued		
<i>Common shares</i>		
Class A common shares		
Balance, September 30, 2000	5,015,999	\$ 780,020
Subscription received	—	50,000
Share split	5,015,999	—
On exercise of options at \$0.0005 per share	2,000,000	1,000
For cash - \$0.875 per share	17,142	15,000
Balance, September 30, 2001	12,049,140	846,020
On exercise of options at \$0.001 per share	669	1
Balance, September 30, 2002	12,049,809	846,021
Private placement at \$0.25 per share	600,000	150,000
Shares issued to consultant for marketing services, valued at \$0.25 per share	400,000	100,000
Balance, September 30, 2003	13,049,809	1,096,021
<i>Special Warrants</i>		
Series A Special Warrants		
By private placement 1,240,000 warrants at \$0.75	—	930,000
Series B Special Warrants		
By private placement 1,160,000 warrants at \$0.75	—	870,000
Warrant issue costs	—	(46,107)
Balance, September 30, 2001	—	1,753,893
Series C Special Warrants		
By private placement 419,001 warrants at \$0.75	—	314,250
Warrant issue costs	—	(55,313)
Balance, September 30, 2002 and 2003	—	2,012,830
Total, September 30, 2003	13,049,809	3,108,851

On December 15, 2000, the Company passed a resolution to split the Class A common shares on a 2-for-1 basis.

On December 18, 2000, the Company passed a resolution authorizing a private placement of Special Warrants. Each Series A Special Warrant entitles the holder, upon exercise, and without further payment, to be issued one common share and one Series A common share purchase warrant, subject to adjustment in certain circumstances including penalty increases. Each Series A purchase warrant shall entitle the holder, upon exercise, to acquire one common share at an exercise price per share equal to the lesser of \$1 and the price established by an Initial Public Offering ("IPO") for a period of 18 months from the closing of the IPO.

6. SHARE CAPITAL (continued)

As mentioned above, the Series A Special Warrants are subject to adjustment in certain circumstances. Since the Company had not completed an IPO by April 30, 2002, a bump-up clause took effect. Under the bump-up clause, the holders of the Series A Special Warrants received an extra 20% of a common share and an extra 20% of a Series A purchase warrant. In addition, the holders of the Series A Special Warrants will receive an extra 2% of a common share and an extra 2% of a Series A purchase warrant at the end of each month until an IPO occurs. As of September 30, 2003, each Series A Special Warrant entitles the holder, upon exercise, and without further payment to be issued 1.56 common shares and 1.56 Series A common share purchase warrants. Pursuant to a warrant amending agreement dated September 22, 2003, the 1,240,000 Series A Special Warrants are exercisable, without any further payment, into 1,550,000 Common Shares provided that certain conditions are met before February 1, 2004 and the Series A purchase warrants would thereafter no longer exist. The key condition precedent is a successful initial public offering.

Each Series B Special Warrant entitles the holder, upon exercise and without further payment, to be issued one common share and 1/1,160,000 of a Series B common share purchase warrant. Each whole Series B purchase warrant will entitle the holder thereof to acquire that number of common shares equal to the lesser of (i) 1,160,000 common shares and (ii) the difference between (a) 9.999% of the number of issued and outstanding common shares immediately following the exercise of the Series B purchase warrants, and (b) the number of common shares that will be owned by the holder of the Series B purchase warrants immediately prior to such exercise. The exercise price per common share so acquired shall be equal to the lesser of \$1 and the gross proceeds per common share received by the Company pursuant to an IPO before any deduction or expense. The Series B purchase warrants are exercisable by the holder thereof until 5:00 p.m. (Calgary time) on that day which is given the 18 month anniversary of the closing of the IPO. Pursuant to a warrant amending agreement dated September 22, 2003, the 1,160,000 Series B Special Warrants are exercisable, without any further payment, into 1,450,000 Common Shares provided that certain conditions are met before February 1, 2004 and the Series A purchase warrants would thereafter no longer exist. The key condition precedent is a successful initial public offering.

Each Series C Special Warrant shall entitle the holder, upon exercise, and without further payment, to be issued one common share, subject to adjustment in certain circumstances. In the event that an IPO closes and the price per Class A share under an IPO (before the deduction of any sales commission) (the "IPO Price") is less than \$0.75, the number of Class A shares into which Special Warrant outstanding at the time is thereafter convertible shall be adjusted at the time to be equal to the quotient resulting from dividing \$0.75 by the IPO price.

Subsequent to year-end, the IPO was completed and each of the Series A Special Warrants, Series B Special Warrants, and Series C Special Warrants were converted into common shares.

Private placement units

On September 25, 2003, the Company closed the sale of 600,000 private placement units at a value of \$0.25 per unit. Each private placement unit consists of one Class A common share and one common share purchase warrant, each warrant entitling the holder thereof to acquire one common share at an exercise price of \$0.35 per share for a period ending on the date that is two years from the date of issuance. No amount has been allocated to the share purchase warrants.

Stock options

On September 22, 2003, the Company cancelled the existing stock option plan and adopted a new stock option plan for directors, officers, employees and consultants who help achieve the long-term objectives of the Company. The Board of Directors administers the plan. Under this plan, the directors can specify the exercise price and vesting terms on an individual basis. Options granted under this plan cannot expire more than five years after being granted.

6. SHARE CAPITAL (continued)

The total number of options outstanding under this plan cannot exceed 10% of the issued and outstanding common shares. The Company set aside a reserve of 1,704,000 common shares and has granted options to purchase 1,448,500 common shares at an average price of \$0.37. In the event of resignation, retirement or termination, the optionee has 30 days to exercise the options.

Details of all options outstanding are as follows:

Expiry	Number of Options	Exercise Price	2003	
			Contractual Life (Years)	Weighted Average Number Exercisable
September 12, 2005	53,000	\$ 0.50	1.95	53,000
June 30, 2005	80,000	\$ 0.625	1.75	80,000
March 31, 2007	261,000	\$ 0.75	3.67	130,500
September 15, 2008	1,054,500	\$ 0.25	4.95	1,054,500
	1,448,500			1,318,000

	2003		2002	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of year	654,000	\$ 0.71	352,600	\$ 0.69
Granted	1,448,500	\$ 0.37	560,933	\$ 0.70
Exercised	—	—	(669)	\$ 0.001
Forfeited	(654,000)	\$ 0.71	(258,864)	\$ 0.66
Outstanding, end of year	1,448,500	\$ 0.37	654,000	\$ 0.71

7. GOVERNMENT ASSISTANCE

In July 2003, the Company applied for and received the Industrial Research Assistance Program ("IRAP") grant from the Canadian National Research Council. The entire IRAP grant is for \$110,000, payable monthly. During the fiscal year, the Company qualified for \$15,300 (2002 - \$Nil), which was recognized as a deduction from aggregate expenses. The grant is a subsidization of expenses incurred for the development of technical innovation in Canada.

8. COMMITMENTS

The Company has entered into a lease agreement for office space and contracted for marketing research services. The aggregate rental payments, excluding operating costs, and services payments required are as follows:

	\$
2004	35,010
2005	6,000

9. INCOME TAXES

The Company has accumulated the following tax balances, the future benefit of which has not been reflected in these financial statements.

Non-capital losses of approximately \$2,137,000 (2002 - \$1,843,000) available for carryforward expire as follows:

	\$
2007	131,000
2008	847,000
2009	865,000
2010	294,000

Unclaimed scientific research and experimental development expenditures of approximately \$648,000 (2002 - \$959,000) carry forward indefinitely.

The Company has made a claim for refundable scientific research and experimental development tax credits in the amount of \$13,813 (2002 - \$300,635) which will be recorded upon receipt of the credit.

10. PER SHARE AMOUNTS

Loss per share has been calculated using the weighted average number of Class A common shares outstanding during the year of 12,069,535 (2002 - 12,049,809).

Diluted loss per share is not disclosed in these financial statements as the exercise of the stock options is anti-dilutive.

11. SUBSEQUENT TO SEPTEMBER 30, 2003

Private placement units

In October 2003, the Company sold an additional 200,000 private placement units at a price of \$0.25 per unit for total proceeds of \$50,000.

Stock options

On November 21, 2003, the Company granted 40,000 stock options to a director of the Company at an exercise price of \$0.25 per share. The options expire on November 21, 2008.

Initial public offering

On January 21, 2004, the Company closed its initial public offering of 5,000,000 Class A common shares at \$0.25 per share for gross proceeds of \$1,250,000. In addition, 3,657,003 common shares were issued in conjunction with the Series A, Series B and Series C special warrants (Note 6). Subsequent to the closing of the initial public offering, the Company has 18,906,812 Class A common shares issued and outstanding.

Corporate Information

BOARD OF DIRECTORS

Aaron Dagan
President & CEO
PsiNaptic Inc.

Dr. Michel Fattouche
Chief Technical Officer
Cell-Loc Location Technologies Inc.

Stuart M. Olley
Partner,
Stikeman Elliott LLP

Andrew L. Oppenheim
Partner,
Gowling Lafleur Henderson LLP

MANAGEMENT TEAM

Aaron Dagan
President & CEO

Cameron Roe
Vice President and
Senior Technical Architect

Serge Brache
Vice President Engineering

Morris Bleviss
Chief Financial Officer

CORPORATE OFFICES

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Telephone: 403.267.1700

BANKER

Bank of Montreal
D161, 1600-90 Avenue SW
Calgary Alberta Canada T2V 5A8
Telephone: 403.503.7583

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company
of Canada
600, 530-8 Avenue SW
Calgary Alberta Canada T2P 3S8
Telephone: 403.267.6800

STOCK EXCHANGE LISTING

TSX - Venture Exchange
Trading Symbol: PST

SHAREHOLDER INFORMATION

For annual and quarterly reports,
news releases and other investor
information, please contact:

Morris Bleviss, CFO,
PsiNaptic Inc.

Suite 216, 200 Rivercrest Dr SE
Calgary, Alberta T2C 2X5



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